
**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
POLICY SUBCOMMITTEE
OF THE
INVESTMENT COMMITTEE**

MINUTES OF MEETING

December 9, 2005

A meeting of the Policy Subcommittee was held on Friday, December 9, 2005 in the Lincoln Plaza Building, 400 Q Street, Room 1140, Sacramento, California.

The meeting was called to order at approximately 1:45 p.m. and the following members were present:

Priya Mathur, Chair
Nick Smith, representing Steve Westly, Vice Chair
Robert Carlson
Charles Valdes
Rosalind Brewer, representing Philip Angelides

Other attendees:

Michael Schlachter, Wilshire Associates
Andrew Junkin, Wilshire Associates
Nori Gerardo Lietz, Pension Consulting Alliance (PCA)

AGENDA ITEM 2 – APPROVAL OF THE September 16, 2005 MEETING MINUTES

On **MOTION** by Mr. Smith, **SECONDED** and **CARRIED** to approve the September 16, 2005 meeting minutes.

AGENDA ITEM 3 – REAL ESTATE POLICIES

**AGENDA ITEM 3a – Revision of Equity Real Estate
Revision of Opportunistic Real Estate
Revision of Timber Real Estate**

Al Fernandez, Senior Portfolio Manager, introduced the Statements of Investment Policy. Barbara Stocking, Investment Officer, presented specifics on each of the

Statements of Investment Policy. Michael McCook, Senior Investment Officer, and Nori Gerardo Lietz, PCA, were present to address concerns from the subcommittee members.

There was a discussion regarding classification of core and non-core assets and a comparison of classifications with other funds.

The Chair directed that consideration of revisions to these Statements of Investment Policy be deferred until a Real Estate Strategic Review is complete in 2006.

AGENDA ITEM 3b – Revision of Equity Real Estate Leverage

Al Fernandez, Senior Portfolio Manager, presented the revised Statement of Investment Policy. Michael McCook, Senior Investment Officer, and Nori Gerardo Lietz, PCA, were present to address concerns from the subcommittee members.

On **MOTION** by Mr. Smith, **SECONDED** and **CARRIED** to recommend to the Investment Committee approval of the revised and amended Statement of Investment Policy for Equity Real Estate Leverage.

AGENDA ITEM 3a (continued)

It was noted that it was desirable at this time to move forward with the revision to the Opportunistic Real Estate Portfolio asset allocation range from 0-15% to 0-30%.

On **MOTION** by Mr. Valdes, **SECONDED** and **CARRIED** to recommend to the Investment Committee approval of the Opportunistic Real Estate Portfolio asset allocation range revision to the Statements of Investment Policy for Equity Real Estate and Opportunistic Real Estate.

AGENDA ITEM 4 – EQUITY POLICIES

AGENDA ITEM 4a – Adoption of International Enhanced Index Strategy – Externally Managed (Second Reading)

Dale Johnson, Investment Officer, presented the Statement of Investment Policy. Mary Cottrill, Senior Portfolio Manager, was present to make additional comments.

On **MOTION** by Mr. Valdes, **SECONDED** and **CARRIED** to recommend to the Investment Committee approval of the Statement of Investment Policy for International Enhanced Index Strategy – Externally Managed.

AGENDA ITEM – 5 FIXED INCOME POLICIES

AGENDA ITEM 5a – Revision of Dollar-Denominated Fixed Income Short Duration Investment

Arnie Phillips, Senior Portfolio Manager, presented the revised Statement of Investment Policy. Curtis Ishii, Senior Investment Officer, introduced and gave an overview of the policy.

On **MOTION** by Mr. Carlson, **SECONDED** and **CARRIED** to recommend to the Investment Committee approval of the revised and amended Statement of Investment Policy for Dollar Denominated Fixed Income Limited Duration.

AGENDA ITEM 6 – ADMINISTRATIVE

AGENDA ITEM 6a – Proposed February 2006 Agenda

There were no changes to the proposed February 2006 agenda.

AGENDA ITEM 7 – PUBLIC COMMENT

There were no public comments.

The meeting was adjourned at 2:30 p.m.

The next meeting is scheduled for February 10, 2006 at a time to be determined in Sacramento, California.